

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7956**

**BILL NUMBER:** HB 1578

**DATE PREPARED:** Feb 21, 2001

**BILL AMENDED:** Feb 19, 2001

**SUBJECT:** Tax administration and motor vehicles.

**FISCAL ANALYST:** James Sperlik, Diane Powers

**PHONE NUMBER:** 232-9866, 232-9853

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill makes the following provisions:

- 1) Provides that for purposes of the gross income tax, a unitary group does not include an entity that does not transact business in Indiana.;
- 2) Changes the dates by which estimated quarterly financial institutions tax returns must be filed;
- 3) Repeals the requirement that the Department of State Revenue must issue transporter emblems for certain vehicles transporting gasoline;
- 4) Specifies that the Department may enter into the International Fuel Tax Agreement and makes related changes;
- 5) Provides that if a notice of proposed assessment is returned because a taxpayer has moved and the Department is unable to determine the taxpayer's new address, the Department may make an assessment for taxes without providing certain notices that would otherwise be required;
- 6) Provides that a driver who commits certain serious traffic violations related to railroad crossings while operating a commercial motor vehicle is disqualified from driving such a vehicle for specified periods;
- 7) Provides that a pass through entity is a taxpayer for purposes of claiming the prison investment tax credit.

**Effective Date:** July 1, 2001; January 1, 2002; July 1, 2002.

**Explanation of State Expenditures:** (Revised) The provisions of this bill will have a minimal fiscal impact. A summary of the provisions are listed below.

- 1) The bill provides that for purposes of the gross income tax, a unitary group does not include an entity that does not transact business in Indiana.
- 2) The bill also changes the dates by which estimated quarterly Financial Institutions Tax (FIT) returns must be filed.

The date change will put financial institutions taxpayers on the same deadlines for quarterly payment of estimated taxes that other corporate taxpayers are on. Currently FIT quarterly payments for taxpayers who use a tax year which ends December 31 are filed on April 30, July 30, October 30 and January 30. This bill changes the filing dates to April 20, June 20, September 20 and December 20. There is a noncode provision which ensures that these dates do not affect total payments during the tax year.

*Impact:* The combined processing of returns provides some administrative simplification for both the Department of State Revenue and taxpayers.

- 3) The bill repeals the requirement that the Department of State Revenue must issue transporter emblems for certain vehicles transporting gasoline.

DOR reports that these requirements have never been met because of federal preemption, and because the vehicle registration process has eliminated the need for these emblems.

*Impact:* There would be no fiscal impact.

- 4) The bill specifies that the Department may enter into the International Fuel Tax Agreement (IFTA).

Indiana already is a signatory to this Agreement. In 1999, the National Conference of State Legislatures (NCSL), conducted a study of this Agreement, to identify potential problems and make general recommendations to the states and participating Canadian provinces.

A general recommendation was to clarify the legal relationships between the IFTA agreement itself (and other IFTA documents) and state statutes and administrative rules. The proposed language clarifies that if there is a conflict, Indiana statutes supersede the IFTA Agreement and documents, but that the Agreement may supersede Indiana administrative rules in the event of a conflict. The changes also attempt to clarify the authority of the General Assembly vis-a-vis that of the IFTA. All the other changes are made to conform to this principle.

*Impact:* There should be no fiscal impact as a result of these changes.

- 5) The bill provides that if a notice of proposed assessment is returned because a taxpayer has moved and the Department is unable to determine the taxpayer's new address, the Department may make an assessment for taxes without providing certain notices that would otherwise be required.

Under current law, the DOR must continue to send tax assessment notices to a taxpayer even though the Postal Service returns the notices due to lack of forwarding address.

*Impact:* There would be minor administrative savings.

- 6) The bill provides that a driver who commits certain serious traffic violations related to railroad crossings while operating a commercial motor vehicle is disqualified from driving such a vehicle for specified periods.

The U.S. Congress has mandated the states to make certain changes in their statutes concerning Commercial Drivers' License (CDL) driver safety related to railroad crossings. (If this is not done by 2002, there is a risk of loss of federal funding in the amount up to \$3 million.) Essentially, these changes identify those Indiana offenses that constitute "serious traffic violations" involving railroad crossing activity. Second, the Department of State Revenue must disqualify a CDL driver for various periods of time, if he is convicted of "serious traffic violations".

*Impact:* There would be no apparent fiscal impact from these changes.

**Explanation of State Revenues:** (Revised) 7) This bill expands the prison investment credit to allow pass through entities to be entitled to this credit. The current tax credit is allowed for investment in qualified property or wages paid to inmates as approved by an agreement with the Department of Correction (DOC). The credit is limited to the lesser of 1) the taxpayer's tax liability; 2) the sum of 50% of the investment in qualified property plus 25% of wages paid to inmates; or 3) \$100,000. Currently this credit may only be taken by regular C corporations. The credit is not refundable.

*Impact:* Currently the DOC has agreements with 2 regular corporations and 7 subchapter S corporations for work to be performed by DOC inmates. The total amount of wages involved are estimated at \$684,000. If all of these wages qualified for a tax credit, the maximum loss of revenue would be \$171,000. The applicability of the credit is expanded with tax years beginning January 1, 2002, therefore any additional loss of revenue will not impact revenue collections until FY 2003.

*Secondary Impact:* Wages paid to inmates working under these agreements have generated federal, state and local income taxes (\$153,380 in FY 2000), victim compensation fund payments (\$137,869 in FY 2000), and room and board reimbursements (\$549,286 in FY 2000).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Arden Chilcote, Department of State Revenue, 232-8022; Becky Gillam, Department of Correction, Pen Products, 388-8580